


Tax Commission

IDAHO

HEALTH CARE



An
Educational
Guide to
Sales Tax in
the State
of Idaho

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This brochure is intended to help health care providers and others who sell health care products understand the sales tax laws that apply to their business. This information is based on the laws and rules in effect on July 1, 1999.

ARE SALES OF MEDICAL SUPPLIES AND EQUIPMENT TAXABLE?

Generally, yes. However, sales tax does not apply to sales of the following if they are *prescribed, administered or distributed* by a licensed practitioner:

- drugs, oxygen and insulin
- syringes
- prosthetic devices, including catheters
- durable medical equipment
- orthopedic appliances
- urinary and colostomy supplies
- enteral and parenteral feeding equipment and supplies
- hemodialysis and peritoneal dialysis drugs and supplies
- chemicals and equipment used to test or monitor blood or urine of a diabetic
- orthodontic and dental appliances

Eyeglasses and contact lenses are not exempt from tax. Also, vitamins and nutritional supplements are not exempt.

IS EVERYTHING A PRACTITIONER PRESCRIBES EXEMPT FROM SALES TAX?

No. Only the items specifically listed above are exempt. For **example**, a doctor may prescribe a membership to a health club for a patient who needs physical conditioning. The membership is taxable, even under prescription, because it is not one of the specifically-listed exempt medical items.

WHO QUALIFIES AS A PRACTITIONER?

The term "practitioner" includes:

- | | |
|-----------------------------------|-----------------------|
| ■ physicians | ■ surgeons |
| ■ podiatrists | ■ chiropractors |
| ■ dentists | ■ optometrists |
| ■ psychologists | ■ audiologists |
| ■ ophthalmologists | ■ denturists |
| ■ hearing aid dealers and fitters | ■ nurse practitioners |

WHAT IS “DURABLE MEDICAL EQUIPMENT?”

In general, “durable medical equipment” (DME) means equipment that:

- 1) Can withstand repeated use;
- 2) Is primarily and customarily used to serve a medical purpose;
- 3) Generally is not useful to a person without illness or injury; and
- 4) Can be used in the home.

Examples of exempt DME, when sold or rented under prescription, are: oxygen equipment, ultrasonic nebulizers, respirators, leg weights, hospital beds, patient lifts and other aids for the impaired.

An **example** of an item that does not qualify is a prescribed hot tub, because it is useful to a person who is not ill or injured.

WHAT IS MEANT BY “PROSTHETIC DEVICES?”

A “prosthetic device” replaces a missing part or function of the human body and includes supplies physically attached to such devices. **Examples** are artificial limbs, heart valves, replacement voice boxes, artificial eyes and hearing aids.

Eyeglasses and contact lenses do not fall into this category, and are taxable.

WHAT ARE “ORTHOPEDIC APPLIANCES?”

“Orthopedic appliances” include braces and other external supports used to correct or relieve defects, diseases or injuries to bones or joints. **Examples** are braces, crutches and arch supports.

WHO CAN BUY THESE EXEMPT ITEMS WITHOUT PAYING TAX?

Sales tax does not apply to qualifying items when purchased by:

- A practitioner who will administer or distribute them to his patients;
- An individual with a prescription from a practitioner; or
- A health care provider (such as a hospital, nursing home or home health care business) when:
 - The purchase is made for a patient under a prescription or work order issued by a practitioner; or
 - The item can be administered only by a doctor.

The seller must document the exempt sale by keeping the prescription or work order on file, or by obtaining form ST-101, Sales Tax Resale or Exemption Certificate, from the buyer.

IS TAX DUE ON ORTHODONTIC AND DENTAL APPLIANCES?

No. Practitioners (dentists, denturists, orthodontists, etc.) do not pay sales tax when they buy orthodontic and dental appliances (dentures, dental bridgework, braces, etc.) and related parts for their patients. However, purchases of filling materials by a practitioner are taxable.

ARE THERE ANY HEALTH CARE PROVIDERS THAT CAN BUY ALL GOODS EXEMPT FROM TAX?

Yes. They are:

- Nonprofit Type I hospitals
- Idaho state or county-operated health facilities
- The following health-related entities:
 - American Cancer Society
 - American Diabetes Association
 - Arthritis Foundation
 - Children's Home Society of Idaho (dba Warm Springs Counseling Center & Training Institute)
 - Easter Seals
 - Idaho Community Action Association members
 - Idaho Cystic Fibrosis Foundation
 - Idaho Epilepsy League
 - Idaho Heart Association
 - Idaho Lung Association
 - Idaho Primary Care Association, its member centers and clinics
 - Idaho Special Olympics
 - March of Dimes
 - Mental Health Association
 - Muscular Dystrophy Foundation
 - National Multiple Sclerosis Society
 - Rocky Mountain Kidney Association
 - The Arc
 - United Cerebral Palsy
- The American Red Cross
- Federal government

To claim their exemption, the above institutions must give vendors a completed form ST-101, Sales Tax Resale or Exemption Certificate. Once on file, this form is valid for all future exempt sales. (The federal government may use form ST-101 or the supplier can keep other forms of documentation. See Brochure #5 for more information.

HOW DOES SALES TAX APPLY TO FOR-PROFIT HOSPITALS?

There is no general exemption from sales tax on purchases made by “for-profit” hospitals. Other than the specific items discussed earlier (drugs, syringes, etc.), a for-profit hospital must pay tax on all its equipment and supplies.

Items purchases for resale, such as food for a hospital cafeteria, are subject to the same rules that apply to any business that sells at retail.

ARE DOCTORS, NURSING HOMES, SPECIALTY HOSPITALS AND OUT-PATIENT CLINICS EXEMPT FROM TAX?

No. Nursing homes, shelter homes, drug and alcohol rehabilitation hospitals, dentists, doctors’ offices, etc. do not have any general exemption from tax. They must pay tax on all purchases, with the exception of items purchased for resale and the other exempt medical goods (drugs, syringes, dentures, etc.) discussed earlier.

If taxable goods are purchased from a supplier who does not charge sales tax (such as an out-of-state supplier of medical equipment), use tax must be paid by the buyer. See Brochure #2—Use Tax.

ARE DRUGS AND MEDICAL SUPPLIES PRESCRIBED FOR FARM ANIMALS AND HOUSEHOLD PETS EXEMPT FROM TAX?

No. These items are taxable. Drugs administered by a veterinarian are taxable when purchased by the veterinarian, whether they are administered to a farm animal or a domestic pet. The production exemption may apply to drugs administered by a farmer or rancher (see Brochure #31—Farming & Ranching).

FOR MORE INFORMATION READ:

Brochure #2	Use Tax
Brochure #4	Retailers
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #50	Nonprofit Groups & Churches
Brochure #52	Government
Rule 50	Veterinarians and Veterinary Supplies
Rule 85	Sales and Purchases by Nonprofit Organizations
Rule 100	Prescriptions

This brochure was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Idaho State Tax Commission or a qualified tax practitioner.

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